

## WHAT IS INSURANCE FRAUD?

Insurance fraud is any deliberate deception committed against or by an insurance company, insurance agent, or consumer for the purpose of unjustified financial gain. This occurs during the process of buying, using, selling and underwriting insurance.

**Fact:** *Insurance fraud is the second largest economic crime in America, exceeded only by tax evasion.*

## WHY SHOULD YOU CARE?

Ultimately, you pay the price for insurance fraud. Insurance companies, policyholders, taxpayers and the general public pick up the tab through increased insurance rates, higher taxes and inflated prices for consumer goods and services.

**Fact:** *Insurance fraud costs each American family nearly \$1,000 a year. These are direct costs that raise the price of health insurance premiums, auto and homeowners' premiums, and increases the price you pay for goods and services.*

## WHAT ARE THE DIFFERENT TYPES OF FRAUD?

Insurance fraud falls primarily into two categories: **external** and **internal** fraud.

**External** fraud schemes are directed against a company by individuals or entities as diverse as policyholders, medical providers, beneficiaries, vendors, chiropractors, and career criminals.

Examples include:

### CREATING A FRAUDULENT CLAIM:

- ◆ Staged or caused auto accidents
- ◆ Staged slip and fall accidents
- ◆ False claim of foreign object in food or drink
- ◆ Faking a death to collect benefits, or filing a phony death claim
- ◆ Murder-for-profit
- ◆ Phony burglary, theft or vandalism
- ◆ Arson
- ◆ Staged auto thefts
- ◆ Staged homeowner accident or burglary

### OVERSTATING AMOUNT OF LOSS:

- ◆ Inflating bodily injuries from an auto accident
- ◆ Inflating value of items taken during a burglary or theft
- ◆ Inflating a physical damage claim from a minor fender bender
- ◆ Medical providers inflating billing or upcoding of medical procedures

### MISREPRESENTING FACTS TO RECEIVE PAYMENT:

- ◆ Claiming prior damage occurred in the current accident
- ◆ Claiming a minor injury created a partial or total disability
- ◆ Receiving disability payments while working elsewhere conducting same or similar work duties
- ◆ Medical providers billing for services not rendered
- ◆ Claiming false disability
- ◆ Providing unnecessary medical treatment
- ◆ Charging for non-provided medical tests
- ◆ Pharmacist "upcoding" for medicine by issuing generic pills and charging for name brands

**Internal** frauds are those perpetrated against a company or its policyholders by agents, managers, executives, or other employees. Examples include:

- ◆ Agent or insurer pocketing premiums, then issuing a phony policy or none at all
- ◆ Agent or insurer issuing fake policies, certificates, ID cards or binders
- ◆ Agent or insurer making a false statement on a filing with the Nebraska Department of Insurance

## HOW DO YOU PROTECT YOURSELF?

- ☑ **Before purchasing insurance**, contact your state insurance department to make sure the insurance company and agent are licensed and in good standing in your state.
- ☑ **Never pay premiums in cash.** Always pay for premiums by check or money order. Make your payment to the insurance company instead of the agent.
- ☑ **Make sure you receive a written policy** within 60 days after payment of your first premium. This ensures the agent forwarded the premium to the company.
- ☑ **Immediately examine your policy** to ensure you are getting the coverage you discussed with your agent.
- ☑ **Do not sign** blank application or claim forms.
- ☑ **Be suspicious if** the price of insurance is substantially below rates from other companies.
- ☑ **Protect your insurance identification numbers** as you would a credit card number.

## MISSION STATEMENT

The mission of the Insurance Fraud Prevention Division is to confront the problem of insurance fraud by prevention, investigation, and prosecution of fraudulent insurance acts in an effort to reduce the amount of premium dollars used to pay fraudulent claims.

## IMMUNITY

Absent malice or bad faith, immunity from civil liability applies to any person or entity who furnishes any information relating to suspected fraudulent insurance acts. Also, the act provides insurer to insurer immunity regarding the exchange of information between those persons whose activities include the investigation or reporting of suspected insurance fraud.

## INSURANCE FRAUD PREVENTION DIVISION

The Insurance Fraud Prevention Division is authorized to investigate and prosecute all lines of insurance fraud perpetrated by the insurer, agent, insureds or any other individuals. To report insurance fraud contact:

Nebraska Department of Insurance  
Insurance Fraud Prevention Division  
941 O Street, Suite 400  
Lincoln, NE 68508-3639

**Facsimile:** 402-471-8335

**E-mail:** [fraudprevention@doi.state.ne.us](mailto:fraudprevention@doi.state.ne.us)

**Web site:** [www.doi.ne.gov](http://www.doi.ne.gov)

## INSURANCE FRAUD IS A CRIME

### AUTHORITY:

Neb.Rev.Stat. §§44-6601 to 44-6608; and §28-631.

### REMEDIES

#### CIVIL:

Civil fines of \$5,000 for the first violation, \$10,000 for the second, and \$15,000 for each subsequent violation

#### CRIMINAL:

**Class III Felony** - Amount involved \$1,500 or more (20 years imprisonment and/or \$25,000 fine)

**Class IV Felony** - Amount involved \$500 or more but less than \$1,500 (5 years imprisonment and/or \$10,000 fine)

**Class I Misdemeanor** - Amount involved \$200 or more but less than \$500 (1 year imprisonment and/or \$1,000 fine)

**Class II Misdemeanor** - Amount involved less than \$200 (6 months imprisonment and/or \$1,000 fine)

#### STAFF

**Charles P. Starr**, Division Chief  
402-471-8334 E-mail: [cstarr@doi.state.ne.us](mailto:cstarr@doi.state.ne.us)

**James W. Snyder**, Investigator  
402-471-4904 E-mail: [jsnyder@doi.state.ne.us](mailto:jsnyder@doi.state.ne.us)

**Mark A. Wolfe**, Investigator  
402-471-8333 E-mail: [mwolfe@doi.state.ne.us](mailto:mwolfe@doi.state.ne.us)

**Stephen R. Eppens**, Investigator  
402-471-4999 E-mail: [steve.eppens@doi.state.ne.us](mailto:steve.eppens@doi.state.ne.us)

**Connie C. Drake**, Administrative Assistant  
402-471-8336 E-mail: [cdrake@doi.state.ne.us](mailto:cdrake@doi.state.ne.us)

# INSURANCE FRAUD:

## A CRIME FOR WHICH WE ALL PAY

*A Consumer Guide To Insurance Fraud*



Nebraska Department of Insurance  
Insurance Fraud Prevention Division  
941 "O" Street, Suite 400  
Lincoln, NE 68508-3639